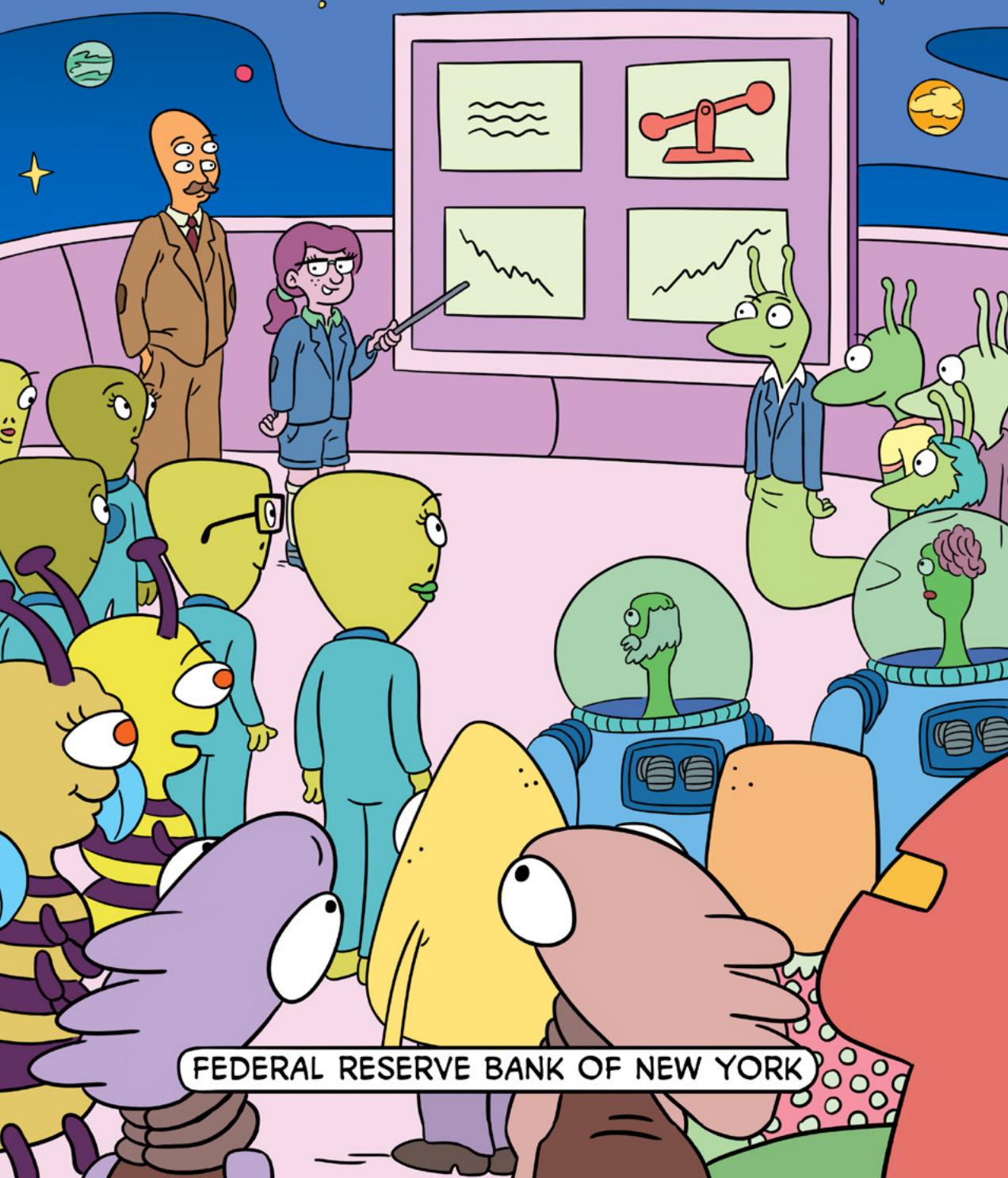
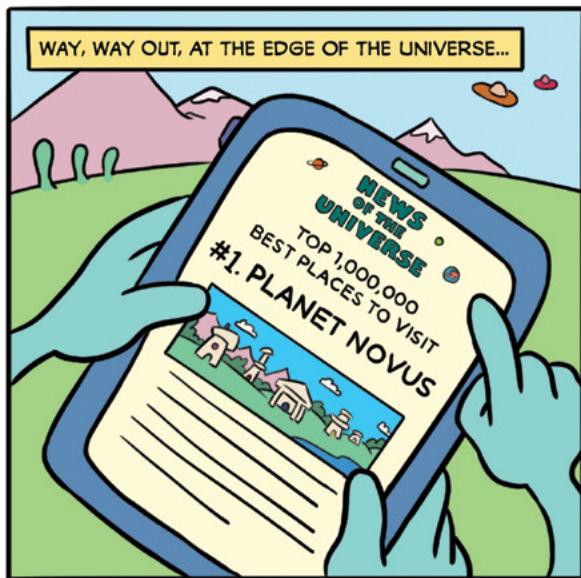
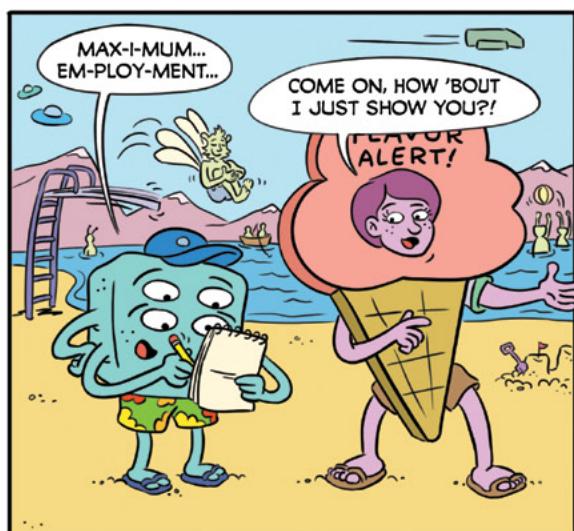
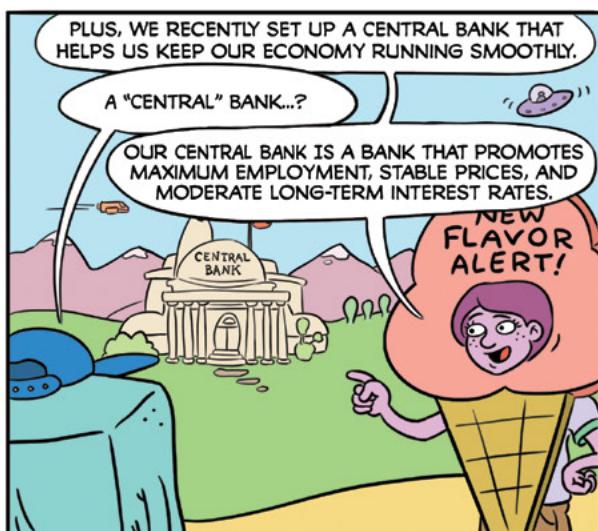


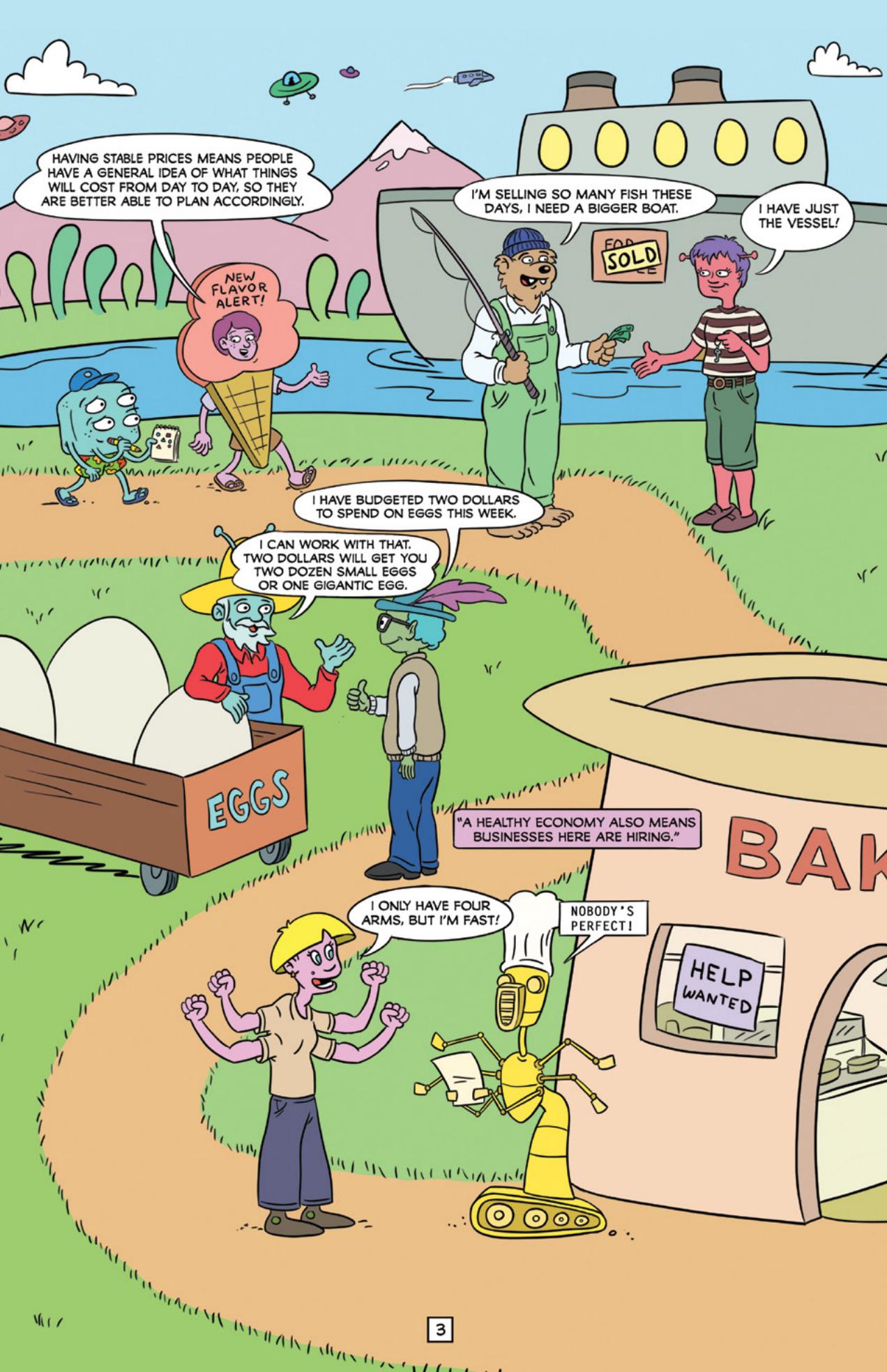
THE STORY OF MONETARY POLICY



FEDERAL RESERVE BANK OF NEW YORK







"OLDER CITIZENS, LIKE MY PARENTS, CAN AFFORD TO RETIRE ON THEIR SAVINGS AND INVESTMENTS. AND THE NEXT GENERATION IS ABLE TO EMBARK ON NEW BUSINESS VENTURES."

FLOWERS & FRUIT

GOOD NEWS, FOLKS! WE'VE SECURED YOUR SMALL BUSINESS LOAN.

OUR OWN SHOP!

THIS IS OUR DREAM COME TRUE!

OURS TOO!

HELLO-O-O RETIREMENT!

SOLD
BUSINESS
FOR
SALE

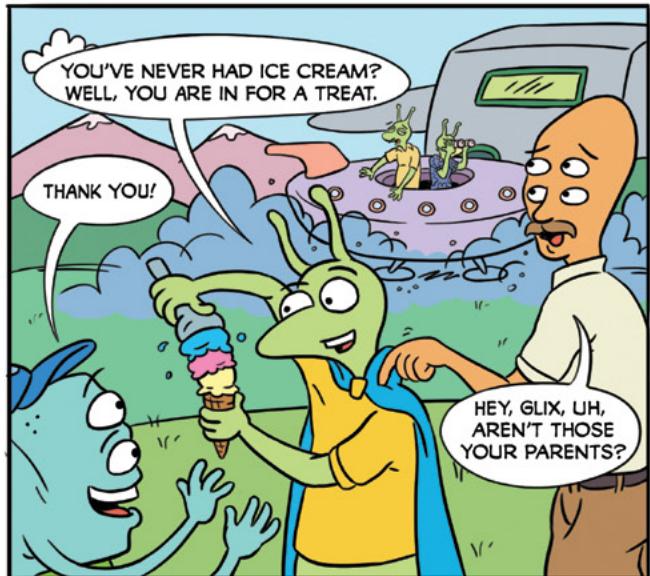
THE ICE CREAM BUSINESS IS BOOMING! THIS IS MY PARTNER, GLIX, AND OUR FRIEND RALLO. GUYS, THIS IS Q-SEVEN.

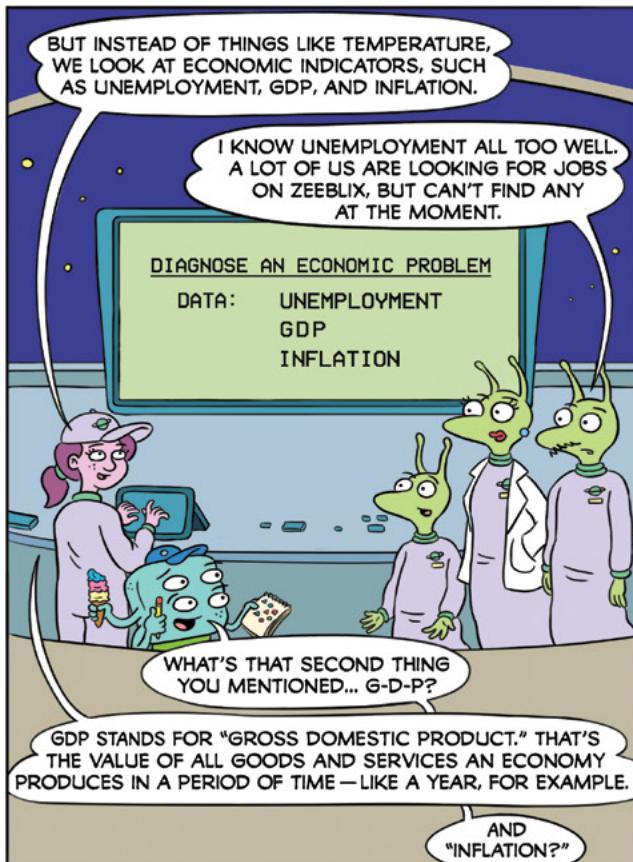
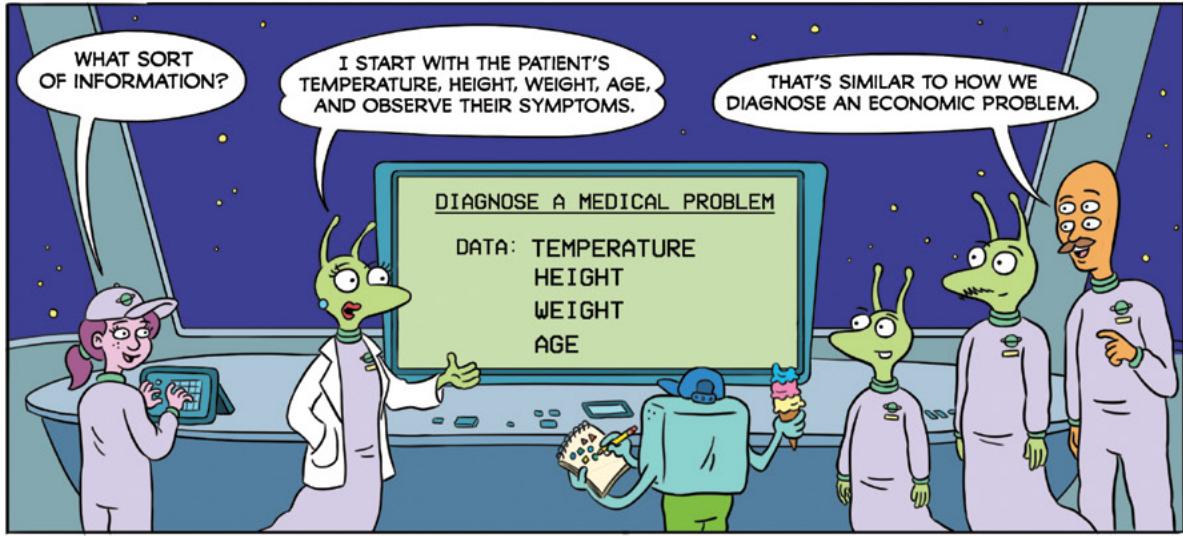
WELCOME TO NOVUS! WANT TO TRY OUR NEW ICE CREAM FLAVOR?

I'VE NEVER HAD ICE CREAM.

NEW!
BRAD-BERRY

HE'S NEVER HAD ICE CREAM?!





PRICES KEEP RISING HIGHER
EVERY DAY, ON BOTH SMALL
AND LARGE PURCHASES.

I SURE COULD USE
A NEW BOAT,
BUT THEY'RE SO
EXPENSIVE NOW.

BUT THEY'RE
GONNA BE EVEN
MORE EXPENSIVE
TOMORROW!

SINCE WHEN DO EGGS
COST MORE THAN
A DOLLAR A DOZEN?

SINCE TODAY.

"IF THAT WEREN'T BAD ENOUGH,
BUSINESSES CAN'T AFFORD
TO HIRE NEW WORKERS."

SORRY, I COULD USE THE HELP,
BUT MY EXPENSES ARE TOO HIGH
FOR ME TO HIRE YOU.

BAKERY

NOT
HIRING

"OLDER CITIZENS AREN'T ABLE TO RETIRE ON THEIR SAVINGS AND INVESTMENTS..."

WE'VE SAVED ALL OUR LIVES, BUT MONEY JUST DOESN'T BUY AS MUCH AS IT USED TO.

PLUS, PRICES ARE RISING SO FAST, WHO KNOWS HOW MUCH OUR SAVINGS WILL BE WORTH TOMORROW?

"...AND IT MAKES STARTING A NEW BUSINESS HARDER TO AFFORD."

SORRY, BUT WE AREN'T WILLING TO LEND YOU AS MUCH AS YOU NEED.

SIGH

THERE GOES THAT PLAN.

FLOWERS

BANK

ICE CREAM

AND TO TOP IT ALL OFF, YOUR FATHER HAD TO SHUT DOWN THE SHOP, WHEN THE DEMAND FOR ICE CREAM DROPPED SIGNIFICANTLY.

HOW IS THAT POSSIBLE? MY DEMAND FOR ICE CREAM HAS NEVER BEEN HIGHER!

YOU JUST FOUND OUT ABOUT ICE CREAM A MINUTE AGO!

OUT OF BUSINESS

LATER THAT DAY...

WE'VE COLLECTED DATA ON YOUR GROSS DOMESTIC PRODUCT—YOUR GDP...



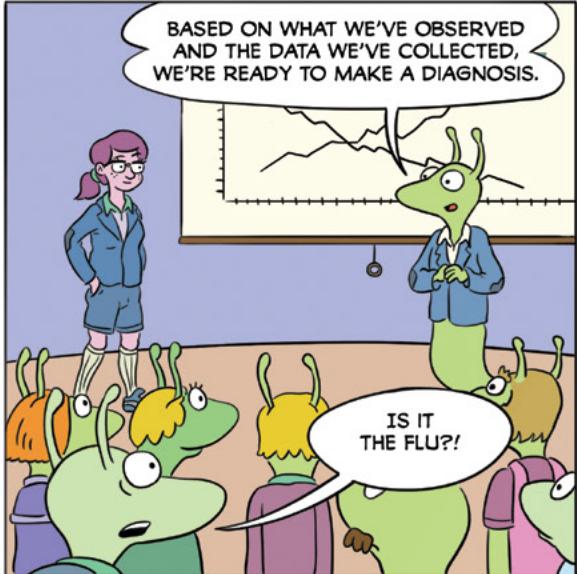
...AND AS YOU CAN SEE, PRICES HAVE BEEN RISING DRASITICALLY, WHILE THE VALUE, OR PURCHASING POWER, OF YOUR MONEY HAS BEEN PLUMMETING.

PRICES

PURCHASING POWER



BASED ON WHAT WE'VE OBSERVED AND THE DATA WE'VE COLLECTED, WE'RE READY TO MAKE A DIAGNOSIS.

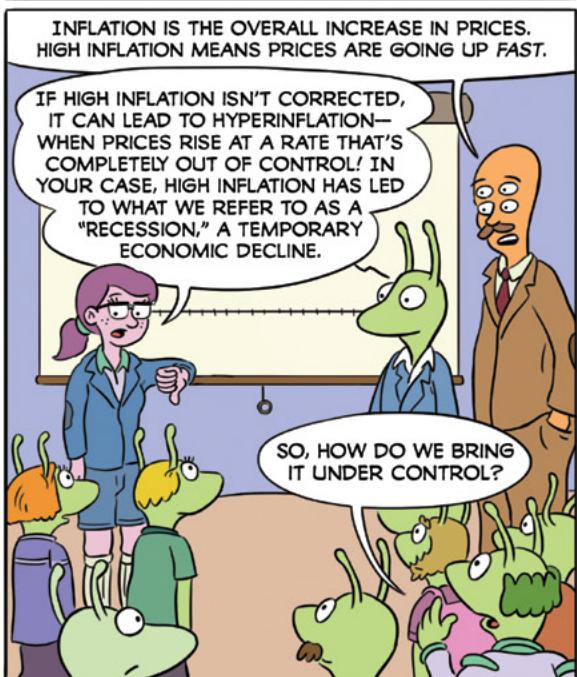


NO, IT'S A CLEAR CASE OF HIGH INFLATION.

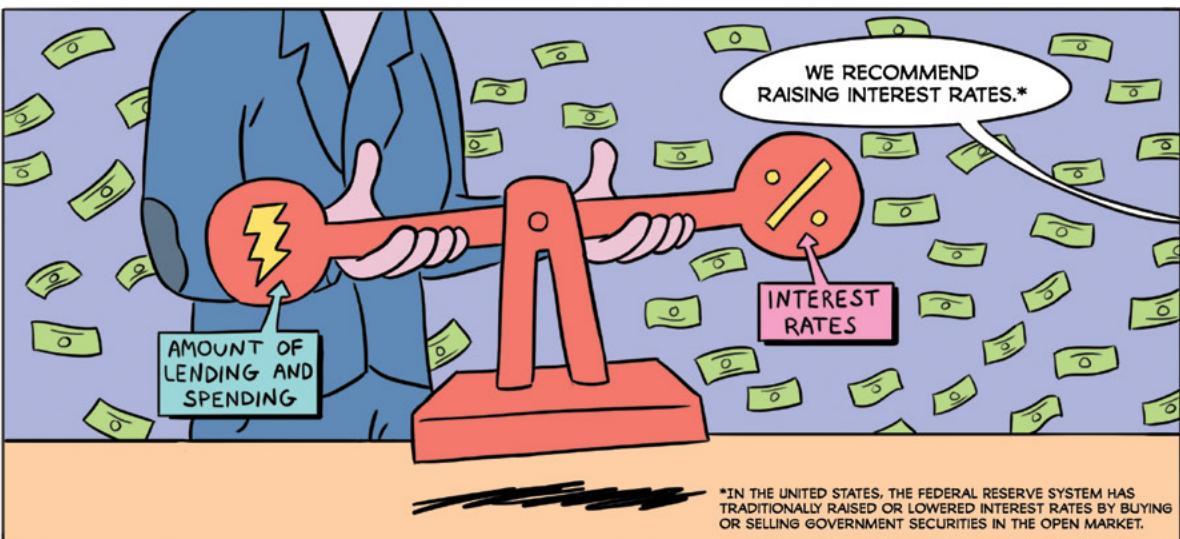
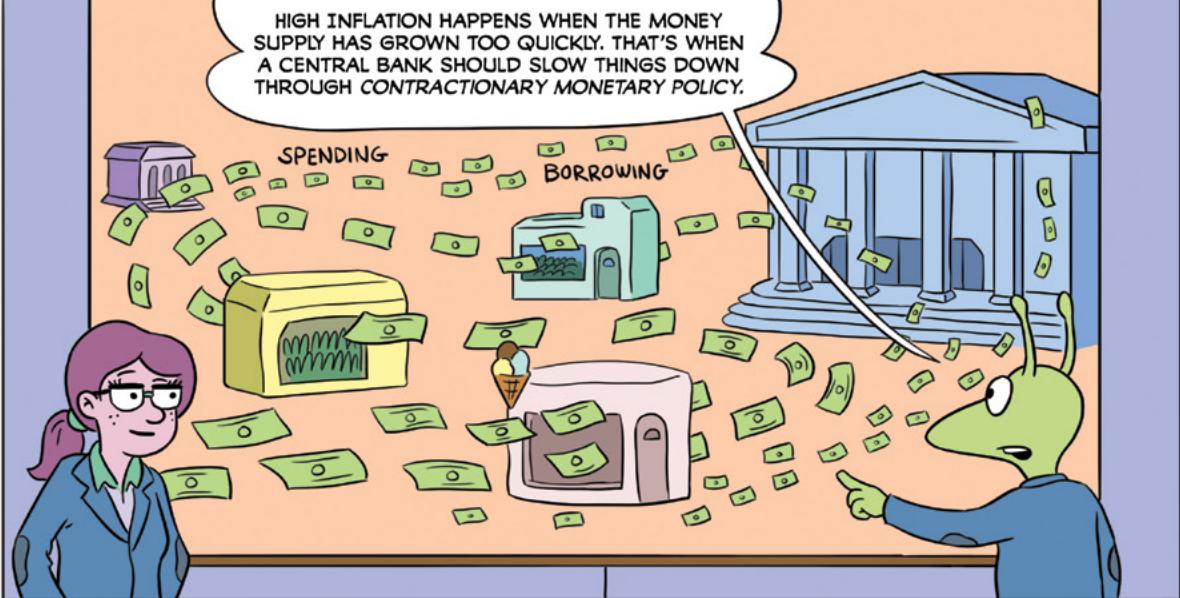


INFLATION IS THE OVERALL INCREASE IN PRICES. HIGH INFLATION MEANS PRICES ARE GOING UP FAST.

IF HIGH INFLATION ISN'T CORRECTED, IT CAN LEAD TO HYPERINFLATION—WHEN PRICES RISE AT A RATE THAT'S COMPLETELY OUT OF CONTROL! IN YOUR CASE, HIGH INFLATION HAS LED TO WHAT WE REFER TO AS A "RECESSION," A TEMPORARY ECONOMIC DECLINE.

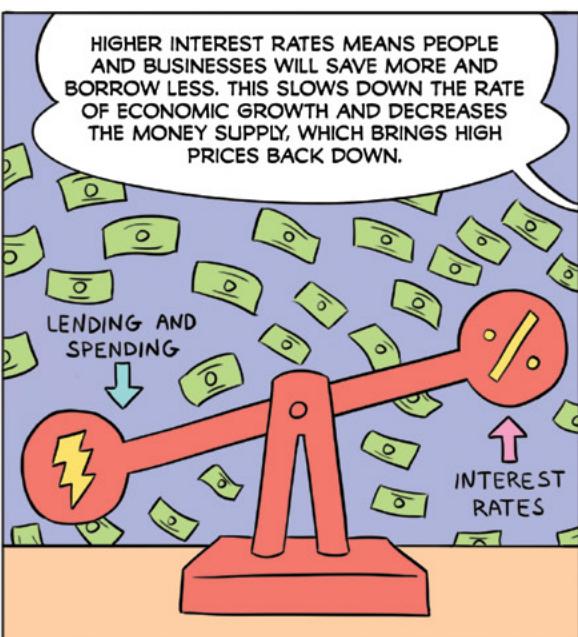


HIGH INFLATION HAPPENS WHEN THE MONEY SUPPLY HAS GROWN TOO QUICKLY. THAT'S WHEN A CENTRAL BANK SHOULD SLOW THINGS DOWN THROUGH CONTRACTIONARY MONETARY POLICY.

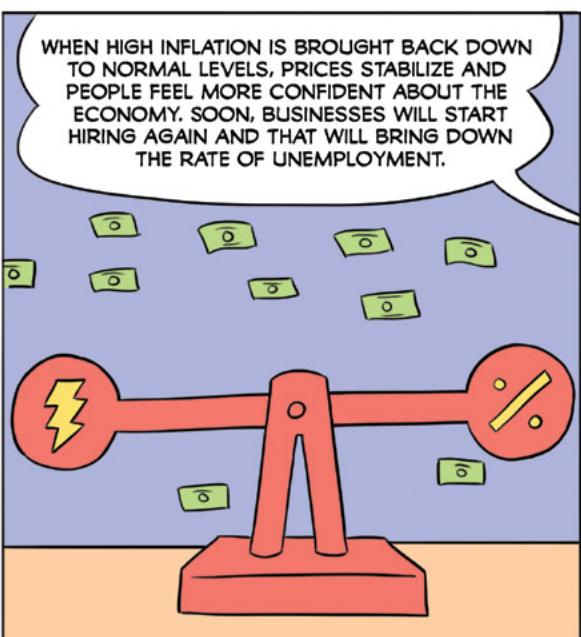


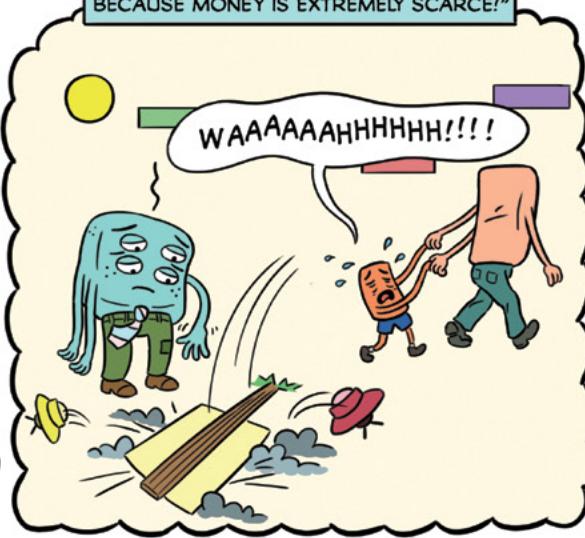
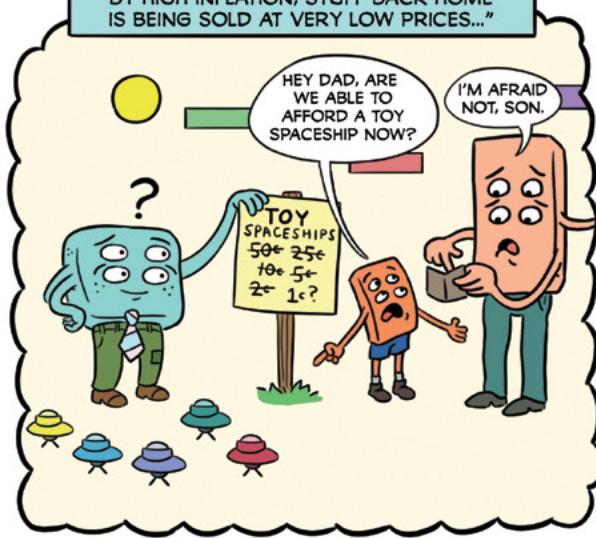
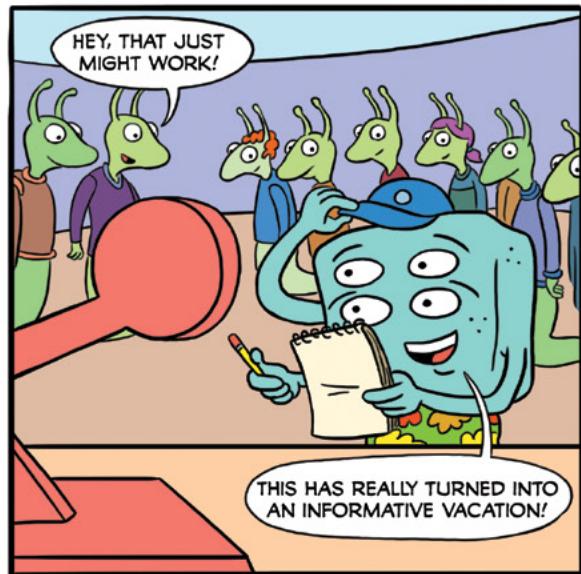
*IN THE UNITED STATES, THE FEDERAL RESERVE SYSTEM HAS TRADITIONALLY RAISED OR LOWERED INTEREST RATES BY BUYING OR SELLING GOVERNMENT SECURITIES IN THE OPEN MARKET.

HIGHER INTEREST RATES MEANS PEOPLE AND BUSINESSES WILL SAVE MORE AND BORROW LESS. THIS SLOWS DOWN THE RATE OF ECONOMIC GROWTH AND DECREASES THE MONEY SUPPLY, WHICH BRINGS HIGH PRICES BACK DOWN.



WHEN HIGH INFLATION IS BROUGHT BACK DOWN TO NORMAL LEVELS, PRICES STABILIZE AND PEOPLE FEEL MORE CONFIDENT ABOUT THE ECONOMY. SOON, BUSINESSES WILL START HIRING AGAIN AND THAT WILL BRING DOWN THE RATE OF UNEMPLOYMENT.





IT SOUNDS LIKE YOUR PLANET IS EXPERIENCING A DIFFERENT KIND OF RECESSION.

THEREFORE... DIFFERENT MONETARY POLICY NEEDS TO BE IMPLEMENTED TO INCREASE THE MONEY SUPPLY.

"LOWERING INTEREST RATES WILL ENCOURAGE PEOPLE TO BORROW AND INVEST MORE."

"ONCE MORE MONEY STARTS ENTERING THE ECONOMY, PURCHASING POWER WILL START TO RETURN TO NORMAL."

LENDING AND SPENDING

INTEREST RATES

WE CAN HELP YOU ARRIVE AT THE RIGHT SOLUTION FOR YOUR PLANET'S ECONOMY.

LOWER... INTEREST... RATE...

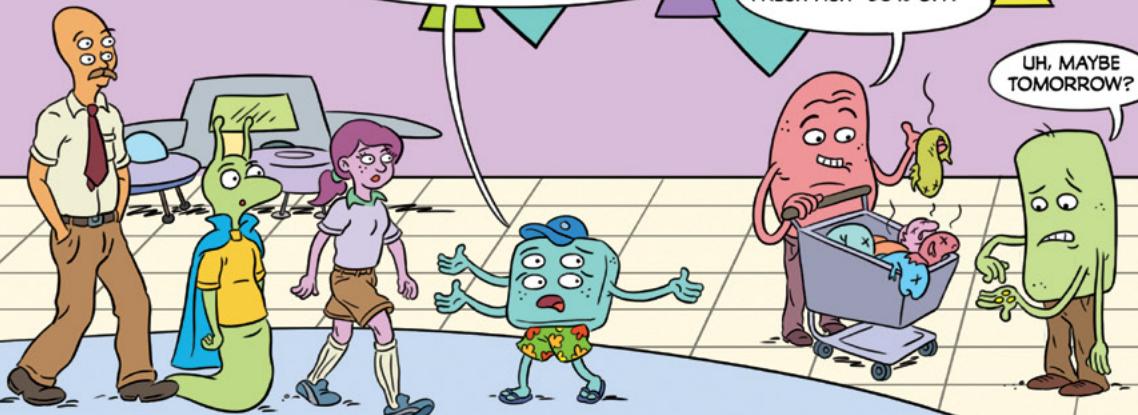
WHY DON'T WE... UGH... COME WITH YOU?

LATER THAT DAY...

AS YOU CAN SEE, NO ONE HAS ANY MONEY,
SO SELLERS CONTINUE TO SLASH PRICES.

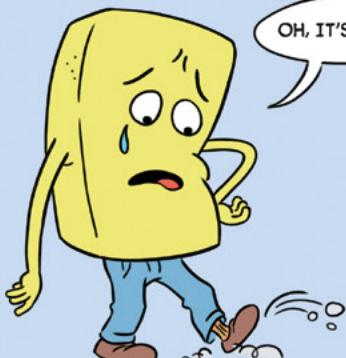
FRESH FISH—50% OFF!

UH, MAYBE
TOMORROW?



"BUSINESSES ARE LAYING OFF WORKERS, OTHERS HAVE SHUT DOWN COMPLETELY."

I WISH I COULD TELL YOU SOMETHING DIFFERENT,
BUT I JUST DON'T HAVE ANY WORK FOR YOU TODAY.
I DON'T EVEN HAVE WORK FOR ME! THE SHOPPERS
JUST AREN'T COMING IN LIKE THEY USED TO.



"RETIREES ARE UNCERTAIN ABOUT THE PROSPECTS FOR THEIR SAVINGS AND INVESTMENTS."

Welcome to~ ALPHA-NUMERICA

VOTED 3,675,927th BEST PLACE TO VISIT...

HEY, IS THAT A SILVER Q-DOLLAR?

SIGH... NO, IT'S JUST AN OLD GUM WRAPPER.

THIS IS NOT WHERE I WANTED TO BE AT THIS POINT IN MY LIFE.

TELL ME ABOUT IT.

JOB LISTINGS

HIRE ME?

I DON'T THINK THOSE FISH ARE THAT FRESH.

YEP. THIS IS DEFINITELY A RECESSION. LET'S SEE IF WE CAN HELP.

OH, THAT WOULD BE AMAZING!

WHEN WE HELPED ALLEVIATE THE HIGH INFLATION ON ZEEBLIX, WE USED CONTRACTIONARY MONETARY POLICY, WHICH "COOLED" ITS ECONOMY JUST ENOUGH FOR PRICES TO DECLINE TO A MORE NORMAL RANGE.

CONTRACTIONARY

EXPANSIONARY

COOL, COOL, COOL.

BUT WHAT NEEDS TO BE IMPLEMENTED HERE IS EXPANSIONARY MONETARY POLICY. THAT MEANS POLICIES THAT WILL LOWER INTEREST RATES, MAKE IT EASIER FOR PEOPLE TO GET MONEY, AND TO BUY AND SELL GOODS. POLICIES THAT WILL ENCOURAGE PEOPLE TO BORROW FROM BANKS AND MAKE MORE INVESTMENTS.

YES, Q-SEVEN?

WHAT HAPPENS ONCE ALPHA-NUMERICA'S ECONOMY GETS BACK TO NORMAL?

DOES IT STAY THAT WAY FOREVER?

WELL...

NOT ON ITS OWN. BUT THERE ARE MEASURES THAT CAN BE PUT IN PLACE TO HELP YOUR PLANET MAINTAIN A HEALTHY ECONOMY.

COULD WE USE THE DISCOUNT WINDOW?

HMM... INTERESTING IDEA, RALLO.

SO, Q-SEVEN, THERE'S A PHRASE YOU MAY HAVE HEARD BEFORE... "LENDER OF LAST RESORT."

N-N-N-NOPE.

WELL, A CENTRAL BANK CAN BE A LENDER OF LAST RESORT, MEANING IT CAN LEND TO A BANK WHEN OTHERS EITHER CAN'T OR WON'T. PROVIDED THE BANK HAS THE NECESSARY COLLATERAL*.

* COLLATERAL IS SOMETHING GIVEN AS SECURITY THAT WILL BE FORFEITED IF THE LOAN IS NOT PAID BACK.

AND "DISCOUNT WINDOW LENDING" REFERS TO ONE OF THE TRADITIONAL LOAN PROCESSES THAT A CENTRAL BANK USES IN SUCH A CIRCUMSTANCE.

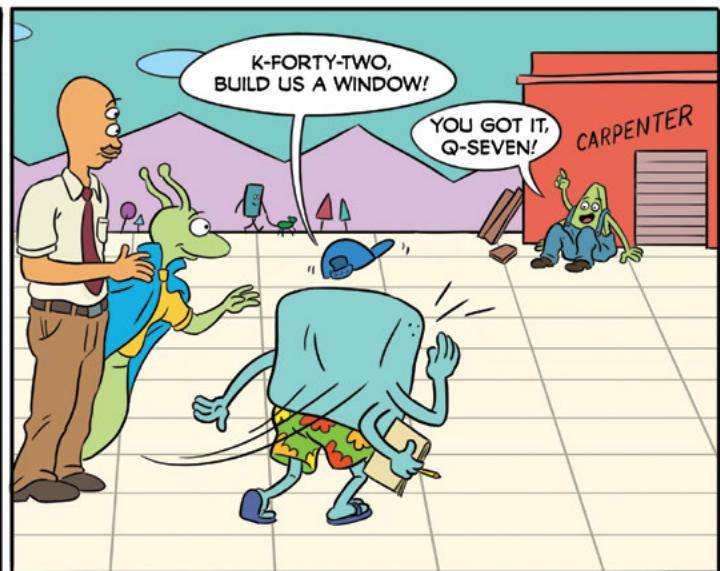
IS IT AN ACTUAL WINDOW?

"WELL, IN THE UNITED STATES, IN THE EARLY DAYS OF ITS CENTRAL BANKING SYSTEM, THERE WERE ACTUAL DISCOUNT WINDOWS THAT LOCAL BANK REPRESENTATIVES COULD WALK UP TO AND REQUEST A LOAN."

DISCOUNT WINDOW

HI. OUR BANK WOULD LIKE TO TAKE OUT A LOAN.

"BUT LIKE MOST THINGS THESE DAYS, THE DISCOUNT WINDOW PROCESS IS NOW CONDUCTED ELECTRONICALLY."



"SOMETIMES CIRCUMSTANCES ARISE, SUCH AS BANK RUNS AND PANICS, WHEN EVEN FUNDAMENTALLY SOUND BANKS ARE UNABLE TO PROVIDE THE CASH PEOPLE AND BUSINESSES NEED TO SUSTAIN THE ECONOMY."

"THE RECESSION THAT ALPHA-NUMERICA IS EXPERIENCING COULD POTENTIALLY LEAD TO SUCH CIRCUMSTANCES."

"BUT, ESTABLISHING A CENTRAL BANK WITH DISCOUNT WINDOW LENDING CAPABILITIES COULD HELP PREVENT THINGS FROM GETTING THAT BAD."



WITH A DISCOUNT WINDOW IN PLACE, YOUR LOCAL BANKS NOW HAVE THE OPTION OF BORROWING MONEY FROM A CENTRAL BANK—WHICH THEY WILL PAY BACK, PLUS INTEREST, OF COURSE.

OF COURSE!

BANKER

BANKER

BANKER

DISCOUNT WINDOW

THIS COMES IN HANDY DURING TIMES OF WIDESPREAD ECONOMIC HARDSHIP, WHEN MANY BANKS MAY BE LOW ON CASH, ALSO CALLED "RESERVES."

IT'S GOOD TO KEEP IN MIND THAT NOT EVERY LOCAL BANK THAT IS EXPERIENCING HARDSHIP MAY DECIDE TO GO THE DISCOUNT WINDOW ROUTE. SOME LOCAL BANKS MAY WORRY THAT TAKING OUT SUCH A LOAN MAY SIGNAL TO OTHER BANKS, AND TO THE PUBLIC AT LARGE, THAT THEY ARE NOT COMPLETELY HEALTHY.

CUSTOMERS MAY BE INCLINED TO TAKE THEIR BUSINESS ELSEWHERE.

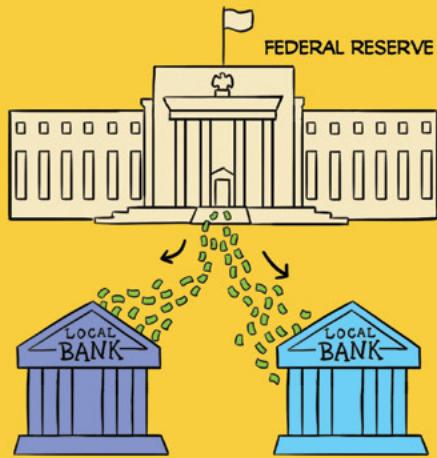
HMM...

EXCELLENT POINT, RALLO. AND THAT IS WHY RELYING ON ONE MONETARY POLICY TOOL IS OFTEN NOT ENOUGH.

FOR INSTANCE, IN ORDER TO HELP PREVENT A LOCAL BANK FROM NEEDING AN EMERGENCY LOAN, A CENTRAL BANK COULD REQUIRE THAT BANK TO HAVE A CERTAIN AMOUNT OF RESERVES ON HAND AT ANY GIVEN TIME.

THAT WAY IT'LL BE BETTER PREPARED FOR ANY UNFORESEEN CIRCUMSTANCES.

IF YOU HEAR PEOPLE SAY "RESERVE REQUIREMENTS," THAT IS WHAT THEY'RE TALKING ABOUT.



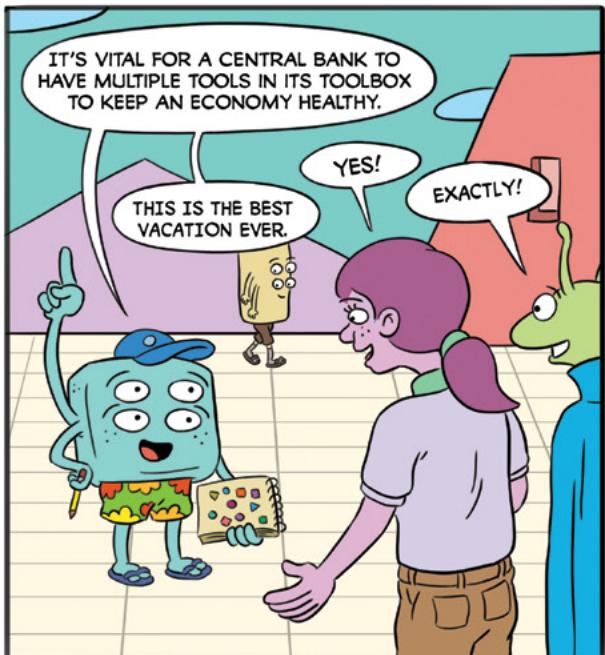
"IN THE UNITED STATES, THE FEDERAL RESERVE BANKS WILL PAY LOCAL BANKS INTEREST ON ANY RESERVES HELD ABOVE THE REQUIREMENT. THIS IS CALLED 'INTEREST ON EXCESS RESERVES,' OR 'IOER' FOR SHORT. IT ACTS AS AN INCENTIVE FOR THE BANKS NOT TO LEND MONEY BELOW A CERTAIN INTEREST RATE."

IT'S VITAL FOR A CENTRAL BANK TO HAVE MULTIPLE TOOLS IN ITS TOOLBOX TO KEEP AN ECONOMY HEALTHY.

THIS IS THE BEST VACATION EVER.

YES!

EXACTLY!



UH-OH. IT LOOKS LIKE WORD OF OUR EXPERTISE HAS SPREAD ACROSS THE GALAXY.

YOU'RE NOT ALL HAVING ECONOMIC CRISES, ARE YOU?

NO, BUT WE WANT TO KNOW IF MONETARY POLICY CAN HELP US PREVENT A CRISIS BEFORE ONE HAPPENS.

ABSOLUTELY! THAT'S GOOD THINKING. BUT EVERY ECONOMY IS DIFFERENT, SO WE'LL HAVE TO VISIT YOUR PLANETS ONE BY ONE.

GULP! RALLO, WHAT HAVE YOU GOTTEN YOURSELF INTO?

WOW, YOU HAVE THE MOST BEAUTIFUL GARDENS I'VE EVER SEEN. MIND IF I PAINT THEM?



HELP YOURSELF. WE'RE PRETTY GOOD GARDENERS, BUT WE DON'T HAVE A CLUE ABOUT MONETARY POLICY.

THINK OF AN ECONOMY LIKE A GARDEN. PLANTS NEED WATER TO SURVIVE.

AND IF THEY DON'T GET ENOUGH WATER, PLANTS DIE.

IN SOME WAYS, MONETARY POLICY IS A LOT LIKE GARDENING...

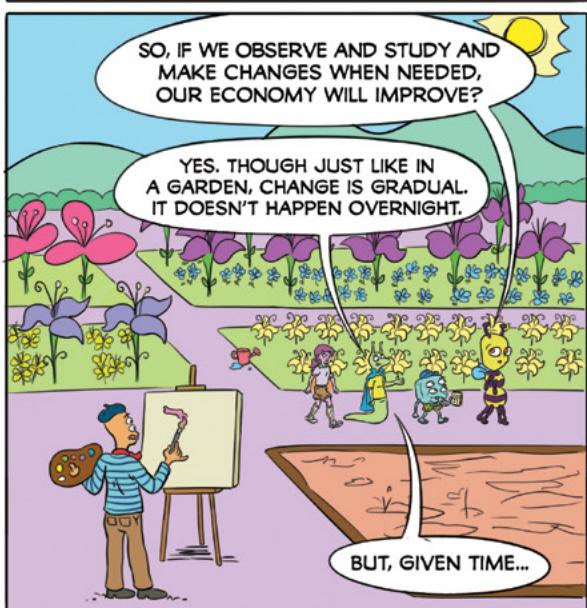
"BUT TOO MUCH WATER... AND THE SAME THING OCCURS. THE PLANT DIES THIS WAY TOO. THE TRICK IS WATERING PLANTS JUST THE RIGHT AMOUNT."



"A GOOD GARDENER RELIES ON OBSERVATION AND EXPERIENCE. AND WE ECONOMISTS RELY ON DATA, LIKE GDP, INFLATION, AND EMPLOYMENT."

SO, IF WE OBSERVE AND STUDY AND MAKE CHANGES WHEN NEEDED, OUR ECONOMY WILL IMPROVE?

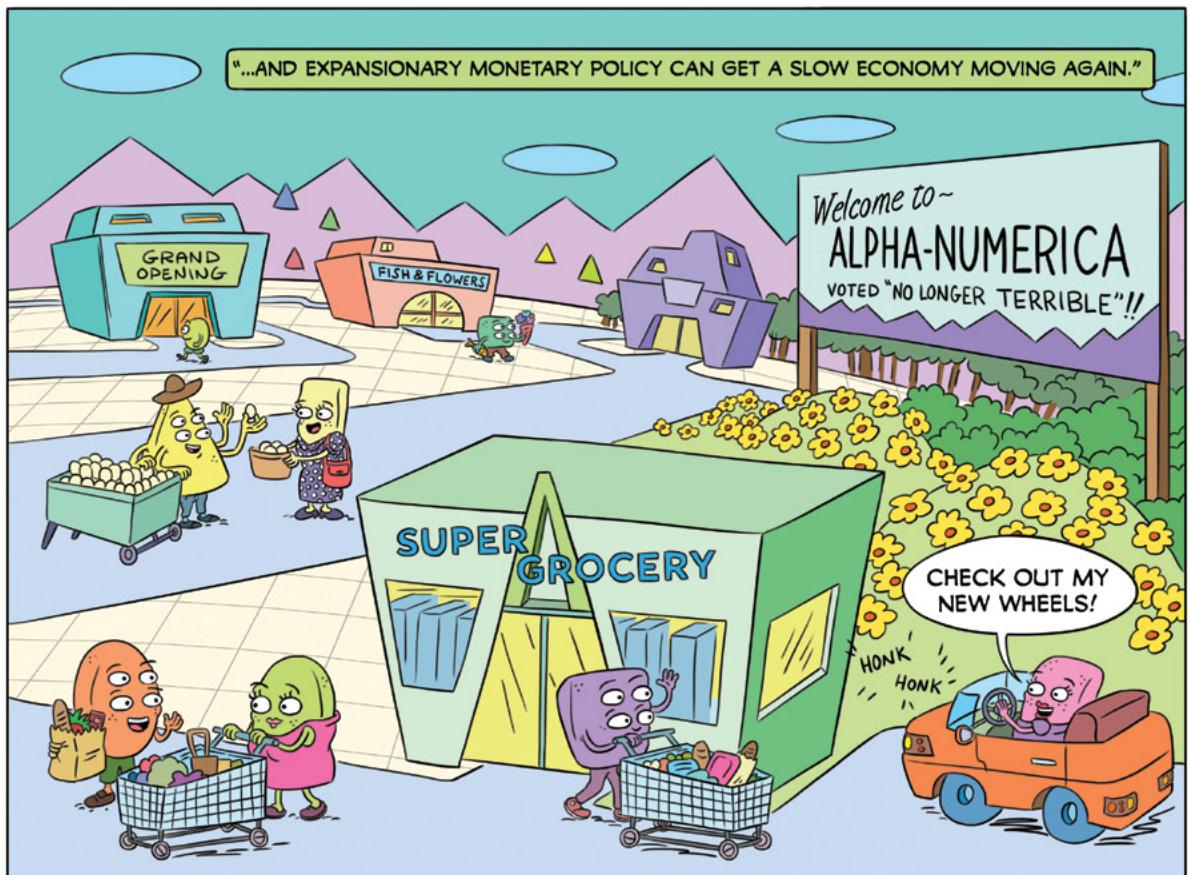
YES. THOUGH JUST LIKE IN A GARDEN, CHANGE IS GRADUAL. IT DOESN'T HAPPEN OVERNIGHT.

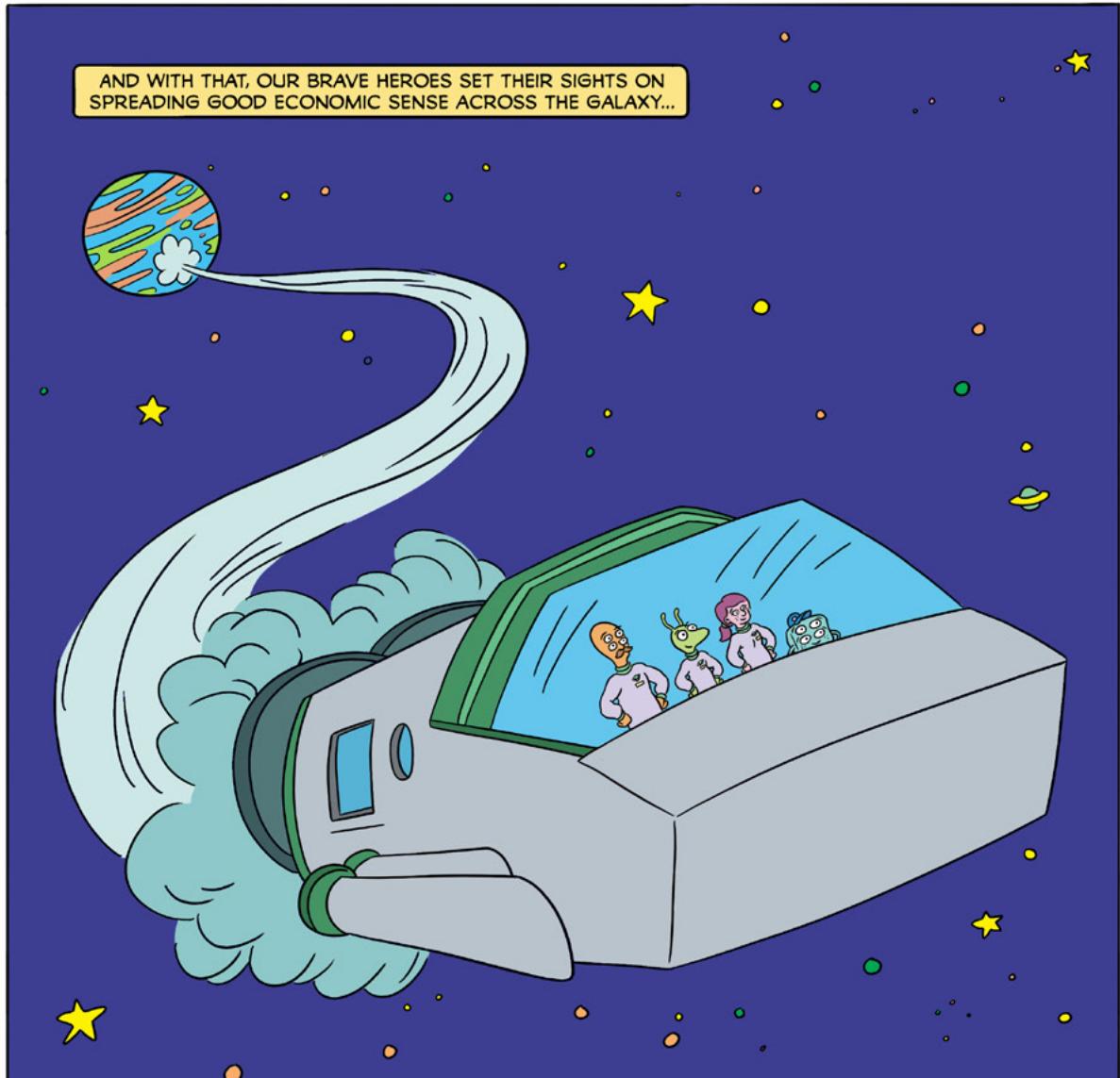
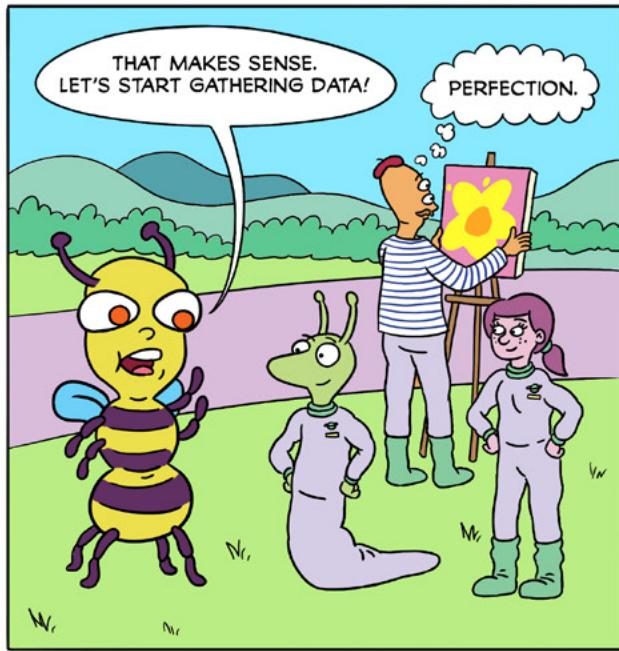


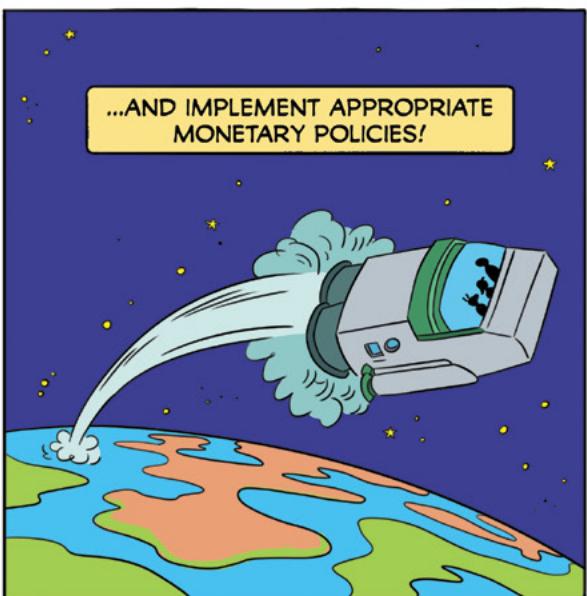
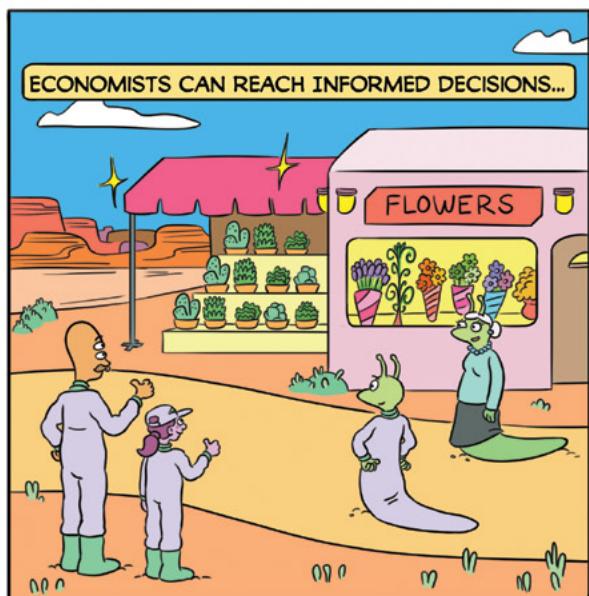
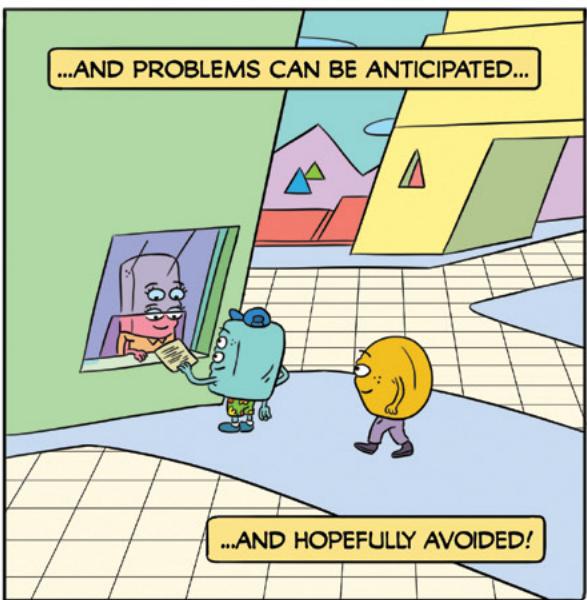
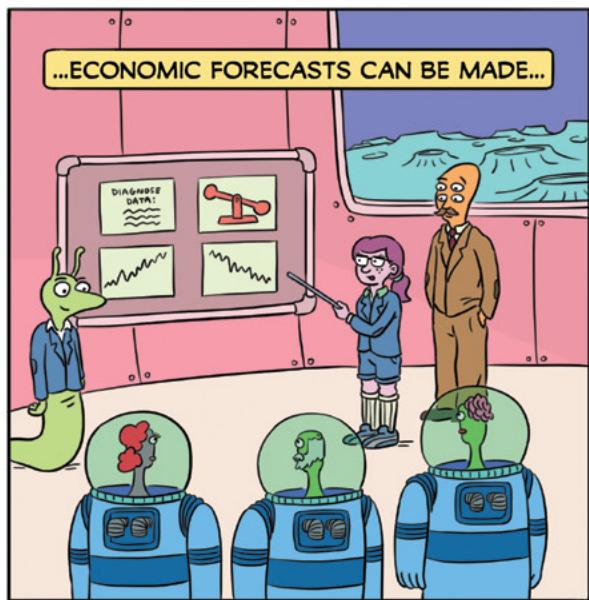
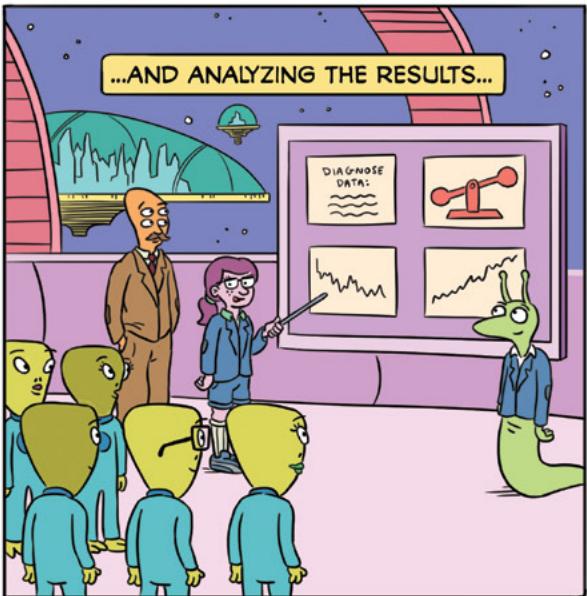
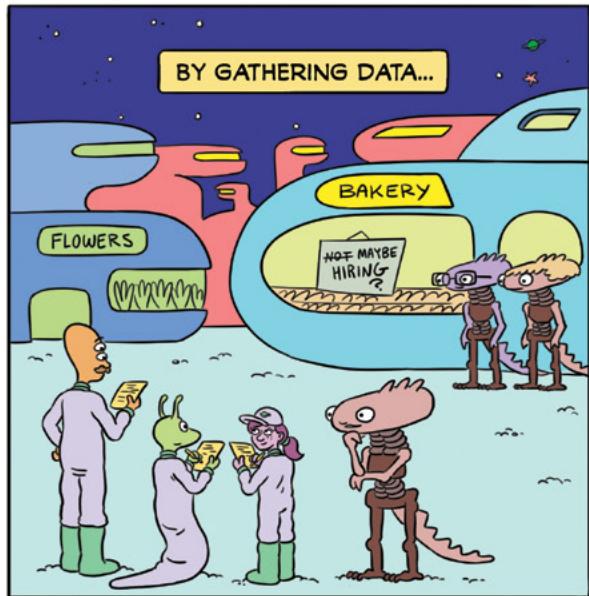
"...CONTRACTIONARY MONETARY POLICY CAN REDUCE HIGH INFLATION..."



"...AND EXPANSIONARY MONETARY POLICY CAN GET A SLOW ECONOMY MOVING AGAIN."







**STAY
TUNED!**

**MORE
ECONOMIC
ADVENTURES**
ARE ON THE WAY!

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